



CITY OF BIRMINGHAM

OFFICE OF THE MAYOR

PUTTING PEOPLE FIRST

MEMORANDUM

TO: Birmingham City Council
FR: Mayor Randall L. Woodfin *RW*
RE: Performance Assessment Highlights
DATE: Wednesday, April 25, 2018

When I campaigned to become Mayor of Birmingham, I promised to conduct a performance assessment of the City of Birmingham. The purpose of the performance assessment was to help us gain a deeper understanding of city operations, finances, and personnel as well as management systems and procedures.

Crowe Horwath, LLP, a Chicago-based firm with deep experience in municipal assessments, conducted the performance assessment from February 6, 2018 to March 30, 2018. The assessment covered nine city departments including: Police, Public Works, Community Development, Finance, Information Management Services, Human Resources, Law, Municipal Court, and Planning Engineering & Permits. The Assessment yielded thirty-three recommendations from Crowe Horwath.

Please know that Crowe Horwath's recommendations are just that – recommendations. We found incredible value in many of their recommendations and we have already initiated implementation efforts. Some recommendations require more consideration and possible alterations to ensure solutions work well for the City of Birmingham.

Many of the recommendations in the assessment affirm major themes articulated by our Transition Team, especially around long-term issues such as the city's pension and the city's aging infrastructure. Issues affecting our core values: customer service, efficiency, effectiveness, transparency, and accountability are embedded throughout the assessment.

On the next page you will find the thirty-three recommendations from the performance assessment, including those currently in place or scheduled to be implemented.

Ultimately, our citizens and businesses that provide more than 80% revenue have spoken – our city is not working well for them. The recommendations herein provide us with substantial improvements and will help position the City of Birmingham as a world-class service provider in competition for talent and economic opportunity for residents.

Performance Assessment Recommendations

Active = Department heads have received a directive from the Mayor to implement recommendation

Planned = Mayor, Executive Leadership Team, and Dept. Head determining timing of implementation

Considered = Mayor and Executive Leadership Team exploring legal, financial, and staffing implications

Item	Recommendation	Woodfin Priority
1.	Reduce Expenditures within Addressable Spend	Planned
2.	Address the Structural Deficit in the General Fund	Planned
3.	Implement Plan to Adequately Fund Pension and OPEB Plans	Active
4.	Implement a Financial Oversight Program	Considered
5.	Implement Cash Forecasting	Considered
6.	Fund Capital Improvement Plan	Considered
7.	Implement Internal Control Policy	Considered
8.	Explore Naming Rights for Legion Field and other City-owned Venues	Considered
9.	Perform Annual Bank Account Analysis	Planned
10.	Reorganize, Right-size and Optimize HR Functions	Active
11.	Redesign Hiring Process w/Personnel Board	Active
12.	Develop Employee Performance Management System	Planned
13.	Implement Succession Planning	Considered
14.	Develop Plan to Transition Fitness Centers to Employee Wellness Initiative	Active
15.	Grow Student Intern Services	Planned
16.	Optimize Staff Workspace	Active
17.	Create new IT Strategic Plan and Roadmap	Planned
18.	Implement IT Chargeback	Considered
19.	Implement Tech Solutions to Alleviate Attorney Workload	Considered
20.	Optimize Headcount	Active
21.	Consolidate Code Enforcement	Considered
22.	Redefine City Org Structure	Active
23.	Promote Curbside Recycling and Optimize Collection	Considered
24.	Optimize and Outsource/Private Garbage Collection	Considered
25.	Reduce Overtime Spending and Right-Size Departments	Active
26.	Outsource/Private Landfill	Considered
27.	Optimize Fleet Management	Active
28.	Implement Service Fees & Garbage Collection Fees	Considered
29.	Move 311 to a Resident Facing Department	Active
30.	Optimize Revenue Potential for the Police Academy	Considered
31.	Incubate Social Service Programs and Launch New Partnership	Active
32.	Leverage & Optimize Potential Shared Services Model Outside City	Planned
33.	Outsource Print Shop Services & Promote Electronic Comms	Considered

City of Birmingham Performance Assessment Results & Initiative Recommendations As of March 30, 2018

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I. Introduction

Performance Assessment Objectives

- To conduct a high-level Performance Assessment to evaluate City financials and operations to achieve the following objectives:
 - Obtain a better understanding of the City's current functions and services
 - Increase overall transparency and accountability within the City's departments – 9 total, with 3 high priority areas for Police, Public Works and Community Development
 - Identify and assess opportunities to improve operational efficiency, streamline organizational structures and reduce costs without sacrificing essential services
 - Assess the long-term financial sustainability of the City
 - Assess the strength of the respective internal control environments to safeguard taxpayer funds

Police	Public Works	Community Development
Finance	Information Management Services	Human Resources
Law	Municipal Court	Planning, Engineering & Permits

Performance Assessment Business Drivers & Additional Scope

- Key business drivers include:
 - Generate cost savings
 - Achieve operational efficiency and/or effectiveness
 - Improve customer service
 - Promote transparency and accountability
 - Enable right sizing
 - Reduce risk or risk exposure
- Additional activity included in this report that was outside of the original scope, but discussed during kick-off meeting:
 - Fire Department:
 - Internal controls
 - EMS Billing assessment
 - Revenue assessment



II. Assessment Results & Initiative Recommendations

Proposed Initiatives Based on Assessment Results

Finance

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Information Technology

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19. Implement Technology Solutions to Alleviate Attorney Workload (Pg. 50)

Reorganization & Optimization

20. Optimize Headcount (Pg. 52)
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29. Move 311 to a Resident Facing Department (Pg. 62)
30. Optimize Revenue Potential for the Police Academy (Pg. 63)
31. Incubate Social Service Programs and Launch New Partnerships (Pg. 64)
32. Leverage & Optimize Potential Shared Services Model Outside of City (Pg. 65)
33. Outsource Print Shop Services & Promote More Electronic Communications (Pg. 66)

Key Initiatives from Assessment Results: Finance (Initiatives 1-9)

1. Reduce Expenditures within Addressable Spend

2. Address the Structural Deficit in the General Fund

3. Implement Plan to Adequately Fund Pension and OPEB Plans

4. Implement a Financial Oversight Program

5. Implement Cash Forecasting

6. Fund Capital Improvement Plan

7. Implement Internal Controls Policy

8. Explore Naming Rights for Legions Field and the Birmingham-Jefferson Convention Complex

9. Perform Annual Bank Account Analysis

Initiative #1: Reduce Expenditures within Addressable Spend



Initiative Overview & Potential Impact to City

- \$191M in total addressable spend based on 2017 data.
- **Potential savings estimated at 7-12% or \$13-21M annually based on FY 2017 actual spend.**
- Selected 9 consolidated categories for a deeper dive analysis that typically result in greater savings, out of 70 categories and sub-categories with sourceable spend.
- Categories based on where facts were available for analysis, areas with potential quick wins, and with higher reward and lower risk.
- In addition to reducing spend in the following recommended areas (*initiatives 1.1-1.9*), it is recommended the City explore implementing a formal minority and women owned business procurement program to expand vendor participation.

Best Practice and/or Benchmark

- Savings estimates based on PGV Advisors proprietary database that combines strategic sourcing data and current market studies.

Summary of Current State Analysis

Expense Category	2017 Spend	Projected Savings %	Low \$	High \$
1.1 – Insurance	\$70.0M	6-8%	\$4.2M	\$5.6M
1.2 – Construction	\$35.8M	4-8%	\$1.4M	\$2.9M
1.3 – Repairs & Maintenance	\$20.8M	7-12%	\$1.5M	\$2.5M
1.4 – Professional Fees	\$19.3M	10-14%	\$1.9M	\$2.7M
1.5 – Utilities	\$17.5M	4-6%	\$700k	\$1.0M
1.6 – IT & Telecom	\$9.2M	11-17%	\$1.0M	\$1.6M
1.7 – Supplies	\$9.2M	8-15%	\$732k	\$1.4M
1.8 – Jail Operations	\$7.4M	20-40%	\$1.5M	\$3.0M
1.9 – Rentals	\$2.0M	8-14%	\$162k	\$283k
Total	\$191.2M	7-12%	\$13.1M	\$20.9M

Initiative #1.1: Spend Category – Insurance



Best Practice and/or Benchmark

- Industry averages:
 - Claim cost per person per year is \$10k to \$12k
 - Pharmacy/RX claim annual cost is below 25% of total claim costs
 - Participation rate is around 75%
 - Membership 1.9 - 2.0 / 1.0 member to employee ratio
 - Gender breakdown – 51% male
 - Average age – 40 years
 - Tenure – 3.5 years

Summary of Current State Analysis

- Estimated \$70M spend in FY 2017
- Average claim cost per person per year is \$11,611
- Pharmacy/RX claim yearly cost is \$16.8M, 35.2% of total claim cost
- Participation rate at 91.7% or 3,426 employees
- Membership: 2.3 / 1.0 Member to Employee Ratio
- Gender breakdown at 70.8% male, higher than average but not untypical for municipalities
- Average age – 45.7 years, higher than benchmarks
- Tenure – 12.7 years, potentially alludes to a loyal, more experienced workforce
- Employee contribution is lower than expected
- Retirees – coverage extended to 483 former staff

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$60M Spend Sourcing	\$25M RX Spend Sourcing	Negotiate Claim Fees	Proactive Claims Management
Results: 22% Savings	Results: 16% Savings	Results: 6-12% Savings	Results: 5-9% Savings

Initiative #1.1: Spend Category – Insurance *(continued)*



Initiative Overview & Potential Impact to City

- **Estimated time to implement 6 to 9 months**
- **Estimated cost savings 6 to 8% or \$4.2M to \$5.6M**
- Majority of policies are renewed between May and July annually
- Need to start the process quickly to gain potential benefits

Areas of Savings	Projected Savings	Implementation Timeline
Dependent Audit	\$500-700k	2 to 4 months
RX Price Negotiations	\$700k-1.2M	3 months
Negotiate Fees (Brokers & Carriers)	\$200-400k	3 months
Claims Management	\$2-\$3M	12 -18 months
Defensive Coordination of Benefits	\$400-600k	4 months
Casualty Analysis, TPA Claims Audit	\$200-400k	4 months
Negotiate Non Health Insurances	\$200-400k	8 months

Initiative #1.2: Spend Category – Construction Cost



Summary of Current State Analysis

- City performs biddings for all projects
- Most of the time past or existing vendors win new projects
- In 2017, over 150 projects were initiated
- Over 100 vendors were used
- Each department has set of vendors that work on construction projects and RFPs are sent accordingly
- Many times for major projects vendors assist City management to define cost structure
- Overall construction cost is going up year over year
- Vendors scorecards or matrix are not formalized for all departments

Department	2017 Spend
CWIP City Property New Construction	\$9.6M
CWIP Street Projects	\$3.7M
CWIP City Property New Construction	\$3.1M
CWIP Street Projects	\$2.9M
CWIP City Property Improvements	\$1.4M
CWIP Consultant Design	\$1.4M
152 Additional Projects	\$13.5M
Total Estimated Spend	\$35.6M
List of Top Vendors	Amount
TAYLOR AND MIREE CONSTRUCTION	\$11.2M
DUNN CONSTRUCTION COMPANY INC	\$9.5M
CHILTON CONTRACTORS, INC.	\$3.9M
VOLKERT INC	\$3.8M
RABREN GENERAL CONTRACTORS	\$3.6M
STONE BUILDING, LLC	\$3.0M
NEEL SCHAFFER INC	\$2.7M
VETERANS LANDSCAPING CO., INC	\$2.3M
COSTON GENERAL CONTRACTORS	\$2.0M
NORRIS PAVING AND ASPHALT, INC.	\$1.9M
Total Top Vendors	\$43.9M
Total PO's Issued	\$72.0M

Initiative #1.2: Spend Category – Construction Cost (continued)



Initiative Overview & Potential Impact to City

Best Practice and/or Benchmark

- **Estimated time to implement 12 to 18 months**
- **Estimated cost savings 4 to 8% or \$1.4M to \$2.9M**
- Identify additional local and regional vendors with capabilities
- Analyze all major projects and consolidate spend by type of activities not projects, e.g. engineering, gravel, concrete, masonry, electrical, etc.
- Separate cost of material and labor for every projects and negotiate accordingly
- Develop process to establish long term pricing structure with selected vendors and communicate with all project managers and departments
- Develop process and implement tool to monitor compliance, audit pricing agreements and monitor and publish cost savings year over year

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$90M Spend Sourcing	Perform Supplier Consolidation	Perform Specification Management	Perform Engineering Optimization
Results: 11% Savings	Results: 5-18% Savings	Results: 2-8% Savings	Results: 2-6% Savings

Initiative #1.3: Spend Category – Repairs & Maintenance



Summary of Current State Analysis

- More than 190 suppliers are used
- Each department has set of vendors that work on construction projects and RFPs are sent accordingly
- Tires are bought from an OEM
- Due to age of machineries and buildings, maintenance costs are higher than normal and increasing every year
- Vendors scorecards or matrix are not formalized for all departments

Categories of Spend	Amount
Parts & Supplies	\$5.3M
R & M - Infrastructural Facilities	\$4.8M
Non Capital Equipment	\$2.3M
R & M - Buildings Facilities	\$2.4M
Tires	\$1.4M
Fuel	\$3.7M
Freight	\$438k
R & M - Equipment	\$415k
Total Spend	\$20.8M

List of Top Vendors	Amount
ALLIED ENERGY COMPANY	\$3.00M
ESTES EQUIPMENT COMPANY INC	\$0.73M
PETERSEN INDUSTRIES, INC	\$1.73M
ALABAMA MOWER SERVICES LLC	\$0.27M
SERRA CHEVROLET	\$0.76M
SUNBELT FIRE INC	\$0.20M
BRIDGESTONE AMERICAS, INC	\$1.12M
HOME SHIELD	\$0.31M
RJ BUILDING LLC	\$0.13M
Total Spend	\$8.3M

Initiative #1.3: Spend Category – Repairs & Maintenance *(continued)*



Initiative Overview & Potential Impact to City

Best Practice and/or Benchmark

- **Estimated time to implement 12 to 18 months**
- **Estimated cost savings 7 to 12% or \$1.5M to 2.5M**
- Identify additional local and regional suppliers with capabilities
- Convert majority of the purchases to commodity items wherever possible, e.g. tires
- Standardize specifications
- Receive rebates from vendors
- Work with major vendors and identify cheaper alternative items for usage
- Perform reverse auction on commodity items, e.g. selected parts
- Buy non-OEM parts where operation is not critical, e.g. building maintenance
- Develop process and implement tool to monitor compliance, audit pricing agreements and monitor and publish cost savings year over year

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$23M Spend Sourcing	Perform Supplier Consolidation	Utilize Alternative Products	Standardize Specifications
Results: 17% Savings	Results: 7-18% Savings	Results: 8-25% Savings	Results: 3-7% Savings

Initiative #1.4: Spend Category – Professional Fees



Summary of Current State Analysis

- More than 150 service providers are currently used within the City
- Few departments have negotiated hourly prices with the service providers
- Lack of technology and processes to reduce cost structure
- No written policies on when to use professional service firms for majority of the departments
- Total spend on Professional Fees \$19.3M

Top Categories of Spend	Amount
Professional Fees Investment Manager	\$3.2M
Professional Fees – Police	\$2.6M
Professional Fees Attorney Fees	\$985k
Professional Fees – Planning	\$785k
Professional Fees Indigent Defense	\$464k
Professional Fees Audit Fees	\$425k
Total Spend	\$8.5M

List of Top Vendors	Amount
AIDS ALABAMA	\$3.03M
BEHAVIORIAL HEALTH SYSTEMS INC	\$2.20M
SARCOR LLC	\$1.03M
REV BIRMINGHAM INC	\$0.99M
ARCADIS US, INC	\$0.86M
INDEPENDENT LIVING RESOURCES	\$0.72M
AXON ENTERPRISE INC	\$0.64M
ALETHEIA HOUSE	\$0.57M
INTIME STAFFING INC	\$0.56M
Total Spend	\$10.6M

Initiative #1.4: Spend Category – Professional Fees

(continued)



Initiative Overview & Potential Impact to City

Best Practice and/or Benchmark

- **Estimated time to implement 12 to 18 months**
- **Estimated cost savings 10 to 14% or \$1.9M to 2.7M**
- Consolidate vendors and negotiate rate cards based on skills and roles
- Standardize process to avoid external services
- Identify local, regional and national service providers and partner with selected service providers to reduce cost year over year
- Implement technology in selected departments to reduce external professional services, e.g. Legal, Audit, Engineering, etc.
- Develop process and implement tool to monitor compliance, audit pricing agreements and monitor and publish cost savings year over year

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$32M Spend Sourcing	Perform Supplier Consolidation	Standardize Process & Rate Cards	Use of Technology
Results: 26% Savings	Results: 9-16% Savings	Results: 10-25% Savings	Results: 6-16% Savings

Initiative #1.5: Spend Category – Utilities



Summary of Current State Analysis

- Utilities are regulated in the State of Alabama
- Total spend is \$17.5M
- 3rd party vendor Ingenuity has been assisting the City to reduce overall utility cost:
 - Power – Rates have been optimized for 60 locations
 - Natural Gas – Rates have been optimized for 2 locations
- City operates in more than 400 locations/facilities
- Trane entered into a performance contract with the City in 2016 to optimize all utilities related cost through energy conservations and:
 - Analyzed the top 80% of cost area (34 buildings for Electric, 24 buildings for Gas, and 12 buildings for Water)
 - Trane claimed to have saved \$1.6M in 16 months ended Dec 2017 (*i.e. 6.8% of total spend*)

Categories of Spend	Amount
Electricity	\$5.9M
Heating	\$1.0M
Street Lighting	\$6.3M
Water	\$4.0M
Miscellaneous	\$0.3M
Total Spend	\$17.5M

Initiative #1.5: Spend Category – Utilities *(continued)*



Initiative Overview & Potential Impact to City

Best Practice and/or Benchmark

- **Estimated time to implement 24 to 36 months**
- **Estimated cost savings 4 to 6% or \$700k to \$1M**
- Perform audit on all buildings to identify leakage and fix the root cause of the issues
- Train employees on how to conserve utilities
- Implement technology on utility conservation, e.g. smart meters, smart lights, corrosion control
- Invest in older facilities to reduce utility usage
- Focus on preventative maintenance programs
- Explore “Alternative Energy” options, such as:
 - Solar powered street lights
 - More gas powered machinery (HVAC)

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$35M Spend Sourcing	Utility Conservation	Improve through Investment	Alternative Energy
Results: 12% Savings	Results: 5-9% Savings	Results: 9-20% Savings	Results: 5-15% Savings

Initiative #1.6: Spend Category – IT & Telecom



Summary of Current State Analysis

- IMS utilizes more than 50 vendors, with a total annual spend of \$9.2M
- Engaged Ingenuity to negotiate telecom rates and achieved some savings
- Developed a strategy to improve IT services for all departments; but due to lack of resources projects have taken a longer time to complete and slower implementation
- Department lacks good technical skilled people and strategic sourcing expertise for major spend areas
- Copy machines are not standardized, spend through 20 to 30 vendors and managed by own departments (yearly spend is \$900k)
- Majority of the work is done in house in the IMS department
- The existing policy is to acquire all devices (e.g. laptops, desktops), 3500 desktops & servers are standardized to HP and Dell
 - 1200 mobile devices
 - 100 Surface laptops/iPads
 - Too many copy machines

Categories of Spend	Amount
Communication Telephone	\$2.5M
Technology - Software Maintenance	\$1.8M
Rental Software Leases	\$1.1M
Communication Airtime	\$841k
R & M - Equipment Radio	\$760k
Capital Outlay Other Equipment	\$715k
Technology - Network Maintenance	\$681k
Communication Telecommunications	\$363k
Technology – Mainframe Maintenance	\$268k
Non Capital Equipment	\$124k
Total Spend	\$9.2M

Initiative #1.6: Spend Category – IT & Telecom

(continued)



Initiative Overview & Potential Impact to City

- **Estimated time to implement 4 to 9 months**
- **Estimated cost savings 11 to 17% or \$1M to 1.6M**
- Existing telecom cost is 15-20% more than industry average
- Migrate from legacy data services to IP based technologies for improved bandwidth at lower price point
- Shift technology shifts from MPLS to SD Wan
- Move services to Cloud based technology
- Outsource IT Maintenance and development to optimize cost structure and better SLAs
- Renegotiate with software vendors
- Lease major hardware (desktop, server, laptops) instead of buying for better total cost model

Best Practice and/or Benchmark

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$22M IT Spend Sourcing	\$12M Telecom Spend Sourcing	Outsource Selected Services	Upgrade Technology
Results: 26% Savings	Results: 22% Savings	Results: 12-25% Savings	Results: 6-12% Savings

Initiative #1.7: Spend Category – Supplies



Summary of Current State Analysis

- More than 250 vendors are utilized to spend \$9.2M yearly
- Every department has their selected list of vendors to use
- Most of the spend goes through bidding process through Procurement department
- Majority of the products are commodity items
- Too many small purchase orders are issued and processed in this category of spend (cost of orders are very high)

Categories of Spend	Amount
Supplies	\$2.36M
Supplies - HSE	\$0.94M
Supplies - Clothing	\$0.55M
Supplies - Public Safety	\$0.53M
Supplies - Other Souvenirs	\$0.29M
Supplies - Office and General	\$0.27M
Supplies - Food	\$0.14M
Total Spend	\$5.1M

List of Top Vendors	Amount
SERRA CHEVROLET	\$0.76M
SUNBELT FIRE INC	\$0.20M
NEW START`	\$0.30M
HELENA CHEMICAL COMPANY	\$0.09M
GALLS LLC	\$0.25M
MUNICIPAL AND COMMERCIAL UNI	\$0.17M
FLEET SAFETY EQUIPMENT INC (SN	\$0.24M
TYCO FIRE & SECURITY (US) MANA	\$0.10M
BUDGET JANITORIAL	\$0.26M
Total Spend	\$2.4M

Initiative #1.7: Spend Category – Supplies *(continued)*



Initiative Overview & Potential Impact to City

- **Estimated time to implement 12 to 18 months**
- **Estimated cost savings 8 to 15% or \$700k to 1.4M**
- Identify additional local and regional suppliers with capabilities
- Standardize specifications
- Reduce number of vendors
- Receive rebates from vendors
- Work with major vendors and identify cheaper alternative items for usage
- Perform reverse auction on commodity items
- Buy non-OEM parts where operation is not critical
- Develop process and implement tool to monitor compliance, audit pricing agreements and monitor and publish cost savings year over year

Best Practice and/or Benchmark

Benchmarking	Market Study 1	Market Study 2	Market Study 3
\$17M Spend Sourcing	Perform Supplier Consolidation	Buy Alternative Products	Use of Technology
Results: 21% Savings	Results: 7-24% Savings	Results: 5-25% Savings	Results: 2-5% Savings

Initiative #1.8: Spend Category – Jail Operations



Summary of Current State Analysis

- Annual spend of \$7.5M with an average daily cost per inmate of \$127, which is above the county or national average.
- On-going capital improvement needs surpassing \$7M, including an existing \$2M line item in Capital Budget and an additional \$5.5M request. Mayor recently addressed City Council to obtain \$1.5M in emergency funds to repair roof.
- Average daily inmate population varies throughout the year. Current capacity is 406, but occupation rate has steadily fallen to an average of 160 or 39%. Less than 50% of beds utilized during the last few years.
- 95 correctional staff with an average inmate to security staff ratio to 1.7:1. Operational and personnel costs are fixed so fewer inmates does not correlate with cost savings.
- Current conditions of jail are described by a recent study as “deplorable and presenting health and safety issues”.
- Although the oldest wing of the jail was demolished in 1986 and the cell that held Dr. Martin Luther King Jr. was placed within the Civil Rights Museum, any plan to repurpose the building should address and even commemorate the space as a site of historical significance.

Spend Items	Amount
Salaries and Wages Salaries and Wages	\$4.5M
Overtime	\$321k
FICA & Medicare	\$351k
Pensions - Fringe Cost Retirement & Relief	\$316k
Insurance - Fringe Cost Health Insurance	\$879k
Insurance - Fringe Cost Dental Insurance	\$20k
Insurance - Fringe Cost Life Insurance	\$40k
R & M - Buildings Janitorial	\$26k
Supplies - Clothing City Personnel	\$13k
Supplies - Clothing Clothing-Prisoners	\$1k
Supplies - Food Prisoners	\$197k
Supplies - Other Copier Supplies	\$2k
Supplies - Other General Office	\$2k
Supplies - Other Medical Supplies	\$21k
Supplies - Other Small Equipment	\$2k
Professional Fees Garbage Service	\$12k
Professional Fees Other Professional Services	\$497k
Utilities Electricity	\$130k
Utilities Water	\$155k
Total Spend	\$7.5M

Initiative #1.8: Spend Category – Jail Operations

(Continued)



Initiative Overview & Potential Impact to City

- **Potential cost savings - \$1.5M to \$3M per year (20% to 40%)**
- **Estimated time to implement 12 to 24 months**
- **Cost avoidance of \$5.5M in capital expenditure**
- Conduct a feasibility study and explore the potential of transferring operations to the Jefferson County jail facility; and repurpose the building for an alternative use.
- Cost savings can be redirected to programs tackling homelessness, mental health and public education.

Best Practice and/or Benchmark

- Security staff to inmate ratio should be 5:1.
- Cost per inmate per day should be between \$50 to \$60 on a privatization model; and operational expenses can be established as a variable cost instead of fixed cost.
- Municipal governments are increasingly consolidating or privatizing jail services to achieve cost savings due to rising costs in medical care for prisoners and necessary improvements to meet higher facility standards.
- Mesa, AZ merged with a county facility and eventually privatized its operations with \$2M annual savings.
- Mount Vernon, WA expects to achieve a \$20M savings over 12 years due to their recent outsourcing.

Initiative #1.9: Spend Category – Rental Expenses



Initiative Overview & Potential Impact to City

- Potential savings of \$160k to \$280k per year
- Reduce number of rental storage locations by consolidating rental needs from all departments (shared service mode where applicable)
- Reduce rental equipment cost by proper planning and utilizing existing equipment
- Invest capital in newer equipment (lease or buy) to reduce rental equipment cost

Summary of Current State Analysis

- Most of the rental locations have been utilized for many years
- Every department manages rental requirement independently
- Adequate equipment availability and utilization technology is not used, as a result rental equipment costs are higher
- Due to availability of older equipment, breakdown %s are higher and rental equipment cost is higher

Best Practice and/or Benchmark

Benchmarking	Market Study 1	Market Study 2
\$16M Spend Sourcing	Consolidate Locations	Use of Planning Technology
Results: 18% Savings	Results: 20-30% Savings	Results: 5-12% Savings

Categories of Spend	Amount
Rental Equipment	\$1.2M
Rental Auto Storage	\$502k
Rental Property Rental	\$250k
Rental Storage Rental	\$76k
Total Spend	\$2.0M

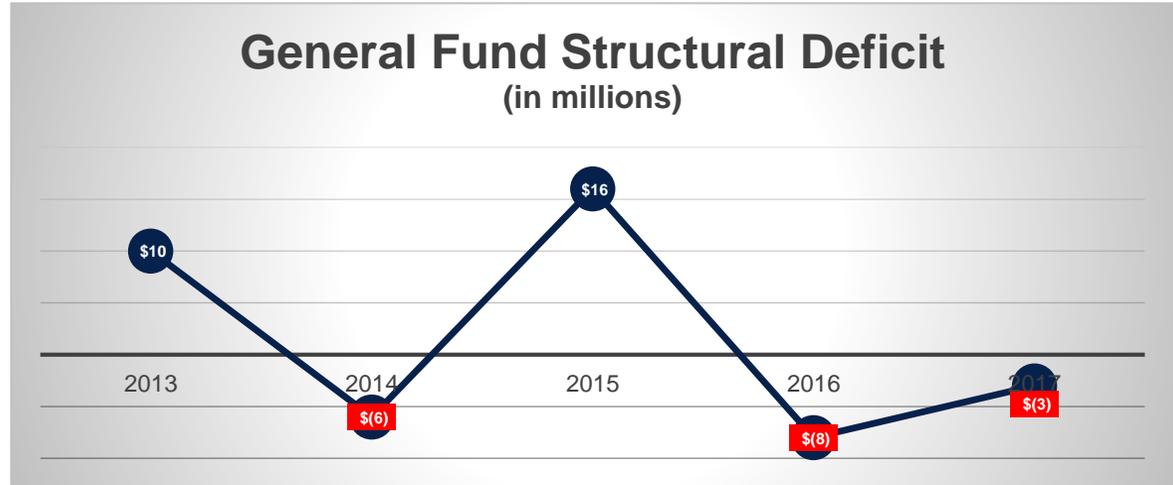
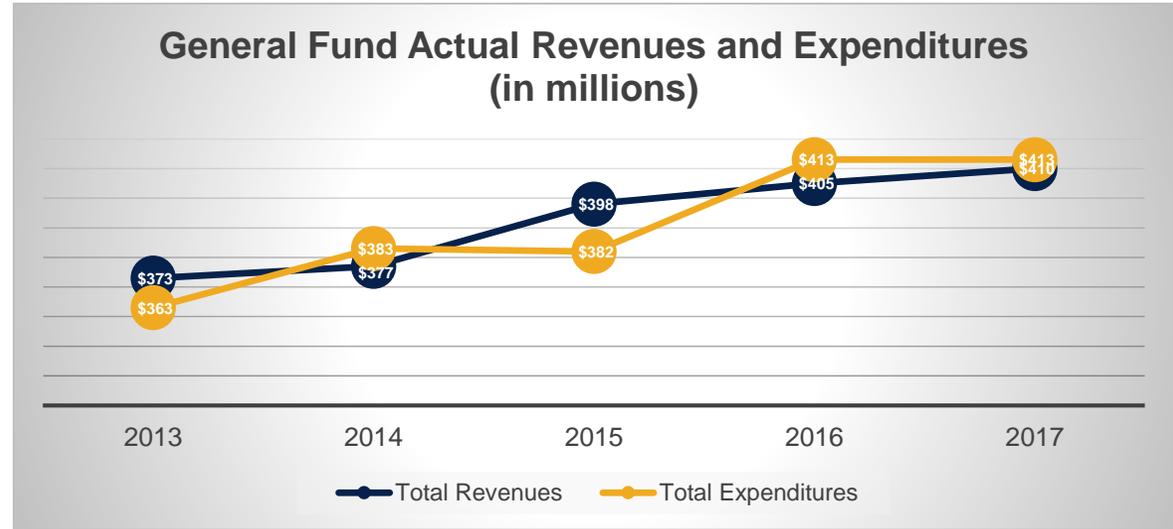
Initiative #2: Address the Structural Deficit in the General Fund



Summary of Current State Analysis

- A structural deficit occurs when ongoing budgeted revenue sources do not meet or exceed ongoing budgeted expenditures.
- The City has had a structural deficit in its general operating fund as shown below:

Revenues	FY13 Budgeted	FY14 Budgeted	FY15 Budgeted	FY16 Budgeted	FY17 Budgeted
Taxes	\$ 246,208	\$ 258,083	\$ 264,690	\$ 272,980	\$ 286,168
Licenses and Permits	\$ 86,045	\$ 89,288	\$ 87,308	\$ 88,374	\$ 89,467
Intergovernmental	\$ 10,759	\$ 11,874	\$ 11,624	\$ 11,924	\$ 12,374
Charges for Services	\$ 12,679	\$ 12,453	\$ 13,159	\$ 14,556	\$ 18,167
Fines & Forfeitures	\$ 3,017	\$ 2,772	\$ 2,873	\$ 2,313	\$ 2,072
Investment Income	\$ 780	\$ 320	\$ 320	\$ 120	\$ 200
Other Operating Revenues	\$ 6,361	\$ 6,190	\$ 6,260	\$ 9,134	\$ 7,756
Total Revenue	\$ 365,849	\$ 380,980	\$ 386,234	\$ 399,401	\$ 416,204
Expenditures	FY13 Budgeted	FY14 Budgeted	FY15 Budgeted	FY16 Budgeted	FY17 Budgeted
Public Safety	\$ 166,263	\$ 173,569	\$ 172,488	\$ 181,419	\$ 190,475
Street and Sanitation	\$ 46,641	\$ 52,445	\$ 46,072	\$ 46,536	\$ 46,606
Cultural & Recreational	\$ 36,307	\$ 36,025	\$ 37,085	\$ 40,899	\$ 46,129
General Government	\$ 99,465	\$ 103,860	\$ 118,454	\$ 118,579	\$ 121,524
Debt Service	FY13 Budgeted	FY14 Budgeted	FY15 Budgeted	FY16 Budgeted	FY17 Budgeted
Principal	\$ 10,480	\$ 10,899	\$ 9,154	\$ 9,779	\$ 11,257
Interest and Fees	\$ 6,215	\$ 4,840	\$ 5,074	\$ 5,390	\$ 3,720
Capital Outlays	\$ 280	\$ 392	\$ 1,744	\$ 1,200	\$ 1,368
Total Expenditures	\$ 365,651	\$ 382,030	\$ 390,071	\$ 403,802	\$ 421,079
Revenues Over/(Under) Expenditures	\$ 198	\$ (1,050)	\$ (3,837)	\$ (4,401)	\$ (4,875)



*Figures in thousands

Initiative #2: Address the Structural Deficit in the General Fund *(continued)*



Initiative Overview & Potential Impact to City

- City should adhere to a structurally balanced operating budget, which includes all anticipated expenditures (i.e. actuarial recommended contributions to pension plan)
- The impact of not having a balanced budget includes, but is not limited to:
 - Accurately identifying and classifying all City expenditures
 - Potential lack of true financial management due to lack of clarity on total spend
 - Inability to fully fund or provide City services
- City should begin taking steps toward a balanced budget through the development of a long-term sustainable financial plan to address the structural deficit
- Consideration of revenue options as well as spending controls will be necessary to sustain the long-term goals of the City

Best Practice and/or Benchmark

- GFOA best practices state that governments should adopt rigorous policies for all operating funds to achieve/maintain a structurally balanced budget. This will occur when all expected, ongoing revenue sources meet or exceed planned expenditures.
- National Advisory Council on State and Local Budgets best practices state that all anticipated expenditures should be included in the annual operating budget. For example, employer pension plan contributions were not included in the budget, but were reported in actual expenditures. The result is a distortion of budget to actual comparison.

Initiative #3: Implement Plan to Adequately Fund Pension and Other Post-Employment Benefit Plans



Summary of Current State Analysis

- The City’s pension and other post-employment benefit plan liabilities are underfunded.
 - The unfunded actuarial accrued liability of the Retirement and Relief System was approximately \$330M as of July 1, 2016
 - Funded ratio of the City’s largest plan, the Retirement and Relief System, was 75.5% as of July 1, 2016 (well-funded plans are at least 87.6% funded)
 - Other Post-Employment Benefit Plan (OPEB) is an unfunded, “pay-as-you-go” plan, so there are no plan assets. The OPEB unfunded actuarial liability was \$161M as of July 1, 2015.

The City has not made the Actuarial Recommended Contribution (ARC) to the Retirement and Relief Plan in the prior four years - see table below.

<u>Schedule of the Employer’s Contributions</u>				
<i>Retirement and Relief System</i>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contributions	\$30,564,212	\$29,898,918	\$ 30,398,187	\$ 30,553,712
Contributions in Relation to the Actuarially Determined Contributions	<u>16,554,808</u>	<u>16,370,100</u>	<u>14,464,552</u>	<u>14,039,103</u>
Contribution Deficiency (Excess)	<u>14,009,404</u>	<u>13,528,818</u>	<u>15,933,635</u>	<u>16,514,609</u>

The table above indicates that the City has contributed, on average, approximately 50% of the actuarially determined contribution (i.e. ARC) since FY14. The City’s actual contributions are shown on line two, “Contributions in Relation to the Actuarially Determined Contributions”, and the deficiencies are shown on line three.

Source: This schedule was obtained from the City of Birmingham’s 2017 CAFR, Required Supplemental Information, pg.101

Initiative #3: Implement Plan to Adequately Fund Pension and Other Post-Employment Benefit Plans *(continued)*

Police

Public Works

Community
Development

Finance

Information
Management
Services

Human
Resources

Law

Municipal Court

Planning,
Engineering &
Permits

Initiative Overview & Potential Impact to City

- City should adjust current practices by selecting a targeted funded ratio for the plan and a timeline in which to reach it. To support the change, the City should seek actuarial consulting services to provide:
 - Expert analysis to help select a targeted funding level/timeline for the plan,
 - Identify alternative plan structures or changes to plan benefits, and
 - Identify options for alternative funding sources.

If current practices continue:

- Actuarially recommended contributions (ARC) will continue to increase
- As a result of an increased ARC, budget challenges will continue
- GASB 75 - new accounting standards will require increased OPEB liability disclosure beginning in FY18:
 - Actuarial-calculated liability must be disclosed on financial statements; disclosure will result in an increase from \$69M to approximately \$161M liability

Best Practice and/or Benchmark

- According to a Government Finance Officers Association (GFOA) study, “well-funded” municipal pension plans typically have funded ratios of 87.6% - 99.8%
- “Pay-As-You-Go” OPEB plans are typically funded by current assets

Initiative #4: Implement a Financial Oversight Program



Summary of Current State Analysis

- Budget oversight resides with the Finance Department.
- Governmental Fund budget to actual variances are not documented nor are department managers required to explain variances. Variances include, but are not limited to:
 - Total revenues in 2016 had \$5.6M favorable variance; 2017 had \$5.9M unfavorable variance
 - Licenses/Permits revenue in 2016 and 2017 had unfavorable variances of \$2.8 and \$8.8M, respectively
 - Total expenditures in 2016 had \$8.7M unfavorable variance; 2017 had \$8.3M favorable variance
 - 2016 and 2017 favorable variances in Cultural & Recreational were both just over \$2M and 5% of budgeted expenditures.
 - 2017 General Government had a favorable variance of \$9.7M or 8% of budget expenditures
- Budgeted positions are not filled in a timely manner.
 - Potential for overtime to be used as a substitute
 - Precludes ability to “right-size” departments

In Thousands	2016		2017	
	Variance with Original Budget		Variance with Original Budget	
Revenues				
Taxes	2.7%	\$ 7,328	1.4%	\$ 3,927
Licenses and permits	-3.2%	\$ (2,793)	-9.9%	\$ (8,842)
Intergovernmental	10.2%	\$ 1,215	16.6%	\$ 2,049
Charges for services	3.3%	\$ 474	-10.7%	\$ (1,936)
Fines and Forfeitures	0.2%	\$ 5	-5.4%	\$ (112)
Investment income	459.2%	\$ 551	28.0%	\$ 56
Other operating revenues	-12.6%	\$ (1,151)	-13.8%	\$ (1,070)
Total Revenues	1.4%	\$ 5,629	-1.4%	\$ (5,922)
Current Expenditures				
Public Safety	-3.1%	\$ (5,652)	-0.7%	\$ (1,303)
Street and Sanitations	-0.9%	\$ (438)	-3.0%	\$ (1,380)
Cultural and recreational	5.2%	\$ 2,143	5.0%	\$ 2,314
General government	4.4%	\$ 5,254	8.0%	\$ 9,698
Total Current Expenditures	0.3%	\$ 1,307	2.3%	\$ 9,329
Debt Service				
Principal	0.0%	\$ -	-14.4%	\$ (1,626)
Interest and Fees	11.4%	\$ 612	-2.5%	\$ (92)
Capital Outlay	-881.8%	\$ (10,582)	49.0%	\$ 671
Total Expenditures	-2.1%	\$ (8,663)	2.0%	\$ 8,282

Initiative #4: Implement a Financial Oversight Program *(continued)*



Initiative Overview & Potential Impact to City

- When variances in the budget vs. actual result occur without explanation it may have various impacts including, but not limited to:
 - Erosion of public trust,
 - Increased potential for inefficient use of funds,
 - Inability to identify root causes in order to improve operations.
- The City should establish:
 - Accountability for financial performance at the department level,
 - Threshold for budget vs. actual variance explanations based on actual amounts and % of budgets,
 - Frequent budget to actual monitoring and analysis intervals (e.g. department managers provide written explanations for variances as established on a quarterly basis).

Best Practice and/or Benchmark

- The National Advisory Council of State and Local Budgeting best practices include, “Develop Strategies to Facilitate Attainment of Program and Financial Goals”:
 - “Goals are more likely to be achieved if organizational and management strategies are developed to support and encourage organizational and individual performance directed toward goal attainment.”
 - “A government should develop, review, improve, and implement strategies that encourage the organization and its employees to work toward achievement of goals. These strategies include both positive incentives and penalties. They also include support systems such as technology support, education, and training.”

Initiative #5: Implement Cash Forecasting Model and Financial Indicators Dashboard



Initiative Overview & Potential Impact to City

- The City should implement a cash flow forecasting model to help estimate cash on hand, expected inflows, and pending financial obligations during specific intervals in order to plan for adequate liquidity. Frequent projections on cash flow will inform decisions on:
 - Transfers of cash and cash equivalents
 - Short-term debt needs
 - Ability to fund new projects or capital improvements
- A dashboard of financial indicators will improve monitoring of financial health and help management make timely, data-informed decisions on budget issues, capital improvements, and funding issues.

Summary of Current State Analysis

- Cash forecasting practices are not in place
- Revenues and cash flows are seasonal and cyclical
- Operating expenditures exceed revenues
- General Fund revenues are used to pay debt service and fund capital improvements in spite of structural deficit.

Best Practice and/or Benchmark

- GFOA recommends that governments perform ongoing cash flow analysis to ensure that they have sufficient cash liquidity to meet disbursement requirements and limit idle cash.

Initiative #6: Fund Capital Improvement Plan



Initiative Overview & Potential Impact to City

- **Project to raise \$100M to \$200M utilizing existing City buildings as collateral.**
- A funded capital improvement plan will help prioritize and coordinate the location, timing and financing of key City needs over the next 3-5 years.
- Conduct further analysis to determine if collateral exists to raise capital; including audit and valuation of existing assets.
- City must be strategic to raise capital to improve its operational costs.

Best Practice and/or Benchmark

- **High level study estimates market value of existing building could be more than \$400M.**
- GFOA has an online capital improvement planning resource center that we recommend the City exploring to better manage capital improvements.

Summary of Current State Analysis

- City maintains a plan but it is not currently funded; City infrastructure continues to age as long-term maintenance items have been delayed.
- Invest in areas such as fleet, equipment, facility improvements, infrastructure, and technology infrastructure.
- **Projected investment of \$56M could realize \$6M in annual operational savings.**
- Table below demonstrates original and book values. Further study is needed to determine if sufficient collateral exists to raise capital funds.

Type of Properties	Number of Assets	Original Value	Book Value
Buildings	429	\$229M	\$106M
Land (Parcels)	358	\$53M	\$53M
Total	787	\$282M	\$159M

Initiative #7: Implement Internal Controls Policy



Initiative Overview & Potential Impact to City

- Develop, implement, update and monitor City-wide internal controls policy; with each department accountable for compliance with Finance oversight.

Best Practice and/or Benchmark

- Implementing sound internal controls is widely accepted as industry standard to ensure that appropriate levels of monitoring are in place to reduce the risks associated with the improper use of taxpayer funds.
- Examples of industry examples according to AICPA.org include the Committee on Sponsoring Organization's (COSO) *Internal Controls Framework* and the U.S. Government Accountability Office's *The Green Book*
- In addition, third party contractors are also often utilized as subject matter experts to assist in developing, implementing, enforcing and monitoring controls.

Summary of Current State Analysis

- An existing internal controls document was produced by the Finance department but it is unclear how often it is updated, how it is shared with other departments and whether compliance is regularly monitored.

Initiative #8: Explore Naming Rights for Legion Field and the BJCC



Initiative Overview & Potential Impact to City

- With two large venues in Legion Field and the BJCC, the City could explore naming rights partnerships with local or regional businesses. Private-public partnerships could generate revenue, and alleviate the City's financial commitments to maintaining and/or improving, future and current infrastructure.
- Given the City has explored utilizing both venues in economic development initiatives, the partnership could not only support the venues financially, but begin partnerships that could benefit the community as a whole in the future.
- To pursue such partnerships, City stakeholders (economic development, elected officials, etc.) should work collaboratively to assess and agree to optimal terms. The City could also explore opportunities to form a quasi-governmental authority to oversee all operations (marketing, rental agreements, maintenance) for various sporting venues.

Summary of Current State Analysis

- Legion Field maintenance and operation cost over \$5M in FY17.
- Legion Field is experiencing declining infrastructure and decreasing utilization.
- Field is utilized by University of Alabama.

Best Practice and/or Benchmark

- Corporate naming rights agreements are trending for new construction sporting venues across the world and can generate a win-win for both parties.
- Large scale deals such as MetLife signing a \$400M deal over 25 years to name the NY Giants Meadowlands stadium.
- Smaller scale deals such as the University of North Texas agreed to a 20-year, \$20M dollar deal with Apogee.
- While financial terms were not disclosed, Audi and the District of Columbia agreed to a naming rights deal for the D.C. United MLS Soccer field.

Initiative #9: Perform Annual Bank Account Analysis



Initiative Overview & Potential Impact to City

- Implement annual review of all accounts to ensure that City is securing the best rates and structure.
- Finance Department should consider consolidating accounts and/or developing short term solutions to reduce fee structures; such as revolving CDs that offer nominal interest and high liquidity.
- Banks regularly offer programs to offset annual and transactional fees, such as maintaining a minimum daily average balance or utilizing electronic reporting to avoid monthly reporting fees.
- Additionally, transactional account fees should be monitored regularly as part of bank reconciliations to ensure that costly administrative errors are not a reoccurrence (e.g. stop payments); and to identify areas for process improvements to reduce the quantity of transactions overall.

Summary of Current State Analysis

- Current annual banking fees are between \$45-50k or 2% of the Finance department's non-personnel budget.
- City is also carrying a \$16k bank draft liability, demonstrating either fees associated to account overdrafts or an insurance arrangement with the Bank to protect the City from further fees.
- Additional analysis is recommended as the number of accounts or account detail information was not reviewed.

Best Practice and/or Benchmark

- Generally accepted as industry best practice for Finance departments to be a good steward of governmental funds by continuously seeking efficiencies.

Key Initiatives from Assessment Results: Human Resources (Initiatives 10 – 16)

10. Reorganize, Right-size and Optimize HR Functions in the City

11. Redesign Hiring Process through a Renewed Partnership with Personnel Board

12. Develop Employee Performance Management System

13. Implement Succession Planning City-wide

14. Develop Plan to Transition Fitness Centers to an Employee Wellness Initiative

15. Grow Student Intern Services

16. Optimize Staff Workspace

Initiative #10: Reorganize, Right-size and Optimize Human Resource Functions in the City



Initiative Overview & Potential Impact to City

- Conduct a staffing assessment to ensure that the department has the appropriate level of staff to provide the core functions to support the City's workforce.
- Explore opportunities to leverage technology solutions to improve operational efficiencies and optimize staff workload.
- Solutions are widely available to support HR staff including self-service portals for employee benefits, call center support staff, document retention, and centralized training resources.

Best Practice and/or Benchmark

- According to *APQC's Government & Military Industry Benchmarks*, some department-specific best practice includes the following:
 - Total cost benchmark to perform the Human Resources function is estimated at \$1,242 per FTE or \$3.28 per \$1,000 of revenue.

Summary of Current State Analysis

- City's current annual spend on HR is an estimated \$7M; compared to industry averages this may be insufficient to support total headcount of 4,729. City may be underspending between \$890k and \$1.4M.
- Fitness center staffing accounts for approximately 30% of HR's total staff, which is a non-essential HR function.
- The department experiences challenges with limited technological resources, cumbersome hiring processes and undeveloped training programs.
- Improving efficiencies would enable the department to not only provide better service, but shift time and resources away from back office functions towards developing strategic initiatives such as Citywide workforce development.

Initiative #11: Redesign Hiring Process through a Renewed Partnership with Personnel Board



Initiative Overview & Potential Impact to City

- Through its renewed partnership with the Jefferson County Personnel Board, work to redesign the hiring process while maintaining compliance with State of Alabama statutes.

Best Practice and/or Benchmark

- To address talent shortages, government agencies are seeking new opportunities to attract and recruit talent; such as establishing partnerships with local area colleges, universities and trade organizations to establish a pipeline of potential new hires.
- Government agencies historically have a reputation for antiquated hiring processes (*or as Governing refers to it as from the Stone Age*); but cities such as Birmingham have the opportunity to reinvent its image as a **Great Place to Work** by leveraging methods such as social networking and its own workforce to help attract new talent.

Summary of Current State Analysis

- Process improvement opportunities exist to increase the effectiveness of hiring practices such as planning for open positions, collaboration on job posting language and qualifications, candidate pipeline management and more tailored recruitment strategies.
- Common perception among departments is that the hiring process is flawed, cumbersome and difficult to navigate simply because of “*the Personnel Board.*”
- There appears to be a lack of clarity by Department heads and hiring managers on the process, roles and responsibilities between the hiring department, Human Resources and the Personnel Board.
- Highly competitive market – City faces not only competition with neighboring communities, but with the private sector as well; will need to think creatively to stay relevant and attractive to new hires.

Initiative #12: Develop Employee Performance Management System



Initiative Overview & Potential Impact to City

- Develop and implement an employee performance management plan across all City Departments to promote ownership, accountability and recognition for accomplishments.
- Development and implementation of such a program is found to improve staff morale, identify high-performance individuals and encourage turnover for problematic staff. All are found to create a positive culture by improving accountability, and overall quality of service.

Summary of Current State Analysis

- The City lacks standard assessment tools of employee performance, and processes to address poor employee performance.
- Several Departments cited problems with staff accountability and performance, and subsequent inability to take action to remove those individuals from their roles.

Best Practice and/or Benchmark

- Per American National Standard, best practices for employee performance plans indicate plans should include a wide practice of goal setting, performance reviews and performance improvement plan standards. Additionally, plans and standards for employee recognition and discipline should be established to enforce standards, ensure accountability and promote effective turnover.

Initiative #13: Implement Succession Planning City-wide



Initiative Overview & Potential Impact to City

- To assist the City in reducing turnover and mitigating the effect of turnover, it is recommended to implement succession planning to promote employee retention and prepare for lost institutional knowledge through documenting and storing processes and policies. An increased focus on retention and succession planning will help retain talent, prepare internal staff to move-up to key management positions, reduce employees leaving to competitor cities/counties and minimize both the financial and operational costs associated with employee turnover (i.e. lost knowledge).
- To implement, the City should collaborate with Department heads and the Mayors offices to develop a vision, implementation plan and management plan for retention and succession management initiatives. Additionally, the City should implement a City-wide and Department specific onboarding programs for all new hires. The City-wide training should inform employees on the mission of the City and the Mayor's goals and vision. Department specific training should provide employees with documented standard operating procedures on all job responsibilities.

Summary of Current State Analysis

- City Departments voiced concern over high staff turnover, and loss of knowledge upon departure. Concern over loss of knowledge could be attributed to the City's lack of sufficient onboarding programs, standard operating procedures and Department training guides.
- The City is currently facing an average vacancy rate of 14% and estimated 15% annual turnover rate. Although turnover is less than 20% national average for State and local government; a turnover analysis should be conducted to assess exactly how many people are leaving, who is leaving and what costs and benefits are associated with turnover.
- The Center for American Progress found on average, the cost of employee replacement is 20% of an employees salary. Based on the Center for American Progress's estimate, the City could experience up to \$4M annually in replacement costs. If implementation of such planning reduces replacement costs by 1-3.5%, the City could save \$160-400k annually.
- Succession planning will also reduce the City's risk exposure by ensuring employees are meeting all federal, state and local compliance standards.

Initiative #13: Implement Succession Planning City-wide *(continued)*

Police

Public Works

Community
Development

Finance

Information
Management
Services

Human
Resources

Law

Municipal Court

Planning,
Engineering &
Permits

Best Practice and/or Benchmark

- In developing, implementing and managing a succession plan, best practices indicated the development of both broad based and targeted strategies for employee retention, and the implementation metrics to evaluate results of initiatives are keys factors to success. According to the Society of Human Resources Management, strategies can be centered around training and development, recruitment and compensation and benefits (*see also initiatives #11, 14 and 15*).
- The American Productivity and Quality Center (APQC) also provides various guides and best practices for the development of knowledge management strategies and roadmaps, common practices to document and/or transfer knowledge and technologies to store knowledge. Common practices include lessons learned exercises, mentorship/apprenticeship programs and leveraging retirees through training programs.

Initiative #14: Develop Plan to Transition Fitness Centers to an Employee Wellness Initiative



Initiative Overview & Potential Impact to City

- To improve employee wellness initiatives, the HR Department should seek opportunities to transition management of City operated fitness centers to local vendors. Simultaneously, the City should establish a more robust wellness program through partnering with local vendors to offer low cost membership rates or to incentivize staff with reimbursement for out of pocket expenses.
- Transitioning benefits not only optimizes City spending, but provides more flexible health benefits to assist in offsetting salary gaps and better competing for and retaining talent within a competitive environment. The City should conduct employee surveys, and utilize best practices in order to align new benefits with staff interests, trends and available resources.

Best Practice and/or Benchmark

- According to the Society of Human Resources Management (SHRM), on-site fitness centers were used by only 25% of survey takers. SMHR also found 25% of organizations increased their wellness benefits in 2017. 77% of organizations also indicated their wellness programs were somewhat or very effective in reducing health care costs.

Summary of Current State Analysis

- To operate one of the three fitness centers, the City spent nearly \$1M in FY 2017. Fitness center staffing also accounts for approximately 30% of HR's total staff.
- Utilization and staff participation of the three centers is not currently tracked, therefore the full benefits of the program are unclear.
- Transitioning both the staffing and financial resources away from the fitness centers and towards other health initiatives, could provide the City with a one-time revenue generating opportunity (sale of assets) and a long-term cost savings.
- In year one, it is estimated the City can save over \$1M in discontinuing the operation of all three fitness centers. Savings accrued is recommended to be allocated to fund, and fund alternative employee fitness benefits.
- In addition to generating cost savings, improving wellness benefits will assist Birmingham in attracting and retaining employees. Society of Human Resources Management found 53% of HR professionals anticipated that wellness and preventive health benefits will increase in importance to recruit and retain employees in the next three to five years. 60% believed it is increasingly important to recruit millennial employees.

Initiative #15: Grow Student Intern Services



Initiative Overview & Potential Impact to City

- To address hiring process issues and unfilled positions throughout the City, it is recommended to establish an Internship Program with local area schools. Utilizing interns will ultimately help mitigate loss of productivity from unfilled positions, and will establish a talent pipeline for the City to be able to retain young talent.
- In addition to an internship program, the City should consider developing a Secondment Program in partnership with local area companies to utilize their employees for city activities and services.
- Program should identify 20-40 positions within high need areas across all Departments, such as IMS, PEP, Finance, HR and Law.
- City should develop a marketing campaign to promote “*city work experience*” and “*government sector work experience training ground*” for local area company employees.
- Programs should be done in collaboration with the Personnel Board of Jefferson County (PBJC), by establishing a liaison between Birmingham and PBJC to ensure position descriptions, minimum qualifications, recruitment needs and timelines for hiring are well communicated.

Summary of Current State Analysis

- City Departments voiced concern with filling positions with qualified individuals. The City also voiced concern with attracting and retaining young talent.
- Several Departments, such as IMS, have unfilled positions for entry-level positions. An intern base would allow the work associated with such unfilled positions to be completed in a cost-effective manner.

Best Practice and/or Benchmark

- Harris County, Dallas, Nashville, Memphis all have intern programs serving various departments. Locally, internship programs are utilized by Jefferson County and the Jefferson County Department of Health, both of which are participating jurisdictions in the Jefferson County Personnel Board.
- Atlanta has utilized senior executives from large local not-for-profit organizations and foundations for 1 to 2 year as a Secondment Program.

Initiative #16: Optimize Staff Workspace



Initiative Overview & Potential Impact to City

- Conduct City-wide assessment regarding current workspace functionality to identify areas that may be preventing optimum performance and areas that may be repurposed to maximize facility efficiency.
- Assessment will ensure that City is in compliance with State and Federal workplace policies and can reduce risk exposure for unsafe work environments, driving workers compensation claims.
- Use HR department as a pilot to address current privacy compliance issues.

Best Practice and/or Benchmark

- Several federal government agencies permit remote work arrangements, eliminating the requirement for all employees to physically report to work. Implementing such a policy for certain positions may create additional workspaces, and be considered an employee benefit.

Summary of Current State Analysis

- The Human Resources Department currently lacks sufficient space to house its staff; and to provide a dedicated space to conduct confidential employee meetings. Lack of sufficient space for private conversations, may place the City at risk in complying with HIPPA privacy rules.
- In coordination with a City-wide reorganization, there is an opportunity to better utilize facilities to meet the needs of each department.

Key Initiatives from Assessment Results – Information Technology (17 – 19)

17. Create a New IT Strategic Plan

18. Implement IT Chargeback

19. Implement Technology Solutions to Alleviate Attorney Workload

Initiative #17: Create a New IT Strategic Plan



Initiative Overview & Potential Impact to City

- Build a strong foundation to implement City’s innovation strategies as described in the Readiness Challenge Grant by developing a City-wide IT strategic plan (or ‘*Tech Roadmap*’).
- Leverage Smart Cities status to engage with technology providers who can offer smart solutions to the City at low cost.
- Planning process should include an assessment of technology needs by department, identify areas for process improvement, areas for innovation, the smart solutions that will address performance inefficiencies, and establish a lifecycle management plan for all software and hardware.
- Create opportunities for cross-departmental collaboration with data and systems.
- Roadmap can be developed as quickly as 3 months; strategies should be incorporated in to both the operating and capital budget processes.
- Roadmap can serve as a powerful, public-facing tool to demonstrate the City’s commitment; therefore regular progress reporting should be incorporated.

Summary of Current State Analysis

- While many technology upgrades and enhancements have occurred over the last few years, outdated technology and cumbersome workflows exists within the City that may be addressed through refreshed and greater use of technology.
- Open data portal can be leveraged to increase the City’s transparency, accountability and accessibility through more interactive platforms between departments and the constituents they serve.
- City’s IMS department recently lost out on opportunity to partner with Microsoft to receive a security assessment free of charge; due to a minor contract issue that could have been resolved.

Best Practice and/or Benchmark

- Best practice analysis states that there’s a need for the evolution of IT roles in order to deliver more business value. Organizations are moving away from a service delivery model, to redirecting its skill set to designing and building innovative solutions to transform business processes.
(Source: Gartner)

Initiative #18: Implement IT Chargeback



Initiative Overview & Potential Impact to City

- To increase accountability of department spending and transparency for technology usage, IMS should explore implementing an IT chargeback model. IT chargeback would allocate the costs of delivering IT services to the internal departments that utilize them, rather than all costs being assumed by IMS. To transition to a chargeback model, it is recommended IMS, in coordination with the Finance Department, develop a future vision consisting of the development, implementation and management of the chargeback method to ensure its short and long-term success.

Best Practice and/or Benchmark

- In begin developing a chargeback method, *Gartner* recommends the IT and Finance Departments break down current costs and associate them with various IT services, create a service catalog to communicate services to Departments, develop and refine charging policies, and develop a pricing/rating model and structure for services. Reporting and invoicing processes will also need to be established to link rates/pricing to actual usage.

Summary of Current State Analysis

- IMS is strictly a cost center with \$13.5M FY17 expenditures.
- IMS provides cell phones for about **25%** of the City's entire workforce. While actual expenditures on this service were not found, assuming an average monthly cellphone plan costs at minimum \$50/month, this could cost the city over \$700k annually. If implementing a chargeback model reduces cellphone allocation by 5-10% (50-100 cellphones City-wide), potential savings could be \$30-\$50k annually.
- To monitor purchasing of technology equipment for City employees, it is recommended to conduct an inventory assessment of who the City has provided specific technologies (i.e. who has cellphones, who has laptops). The City should assess results and review what positions need equipment, and if the inventory assessment responsibly meets those needs. It is recommended the City establish, or modify existing policies/internal controls, regarding permissible equipment purchasing.
- Implementing chargeback may assist in optimizing the City's financial commitment to technology, such as cellphones, by incentivizing Department's to make responsible purchasing decisions.

Initiative #19: Implement Technology Solutions to Alleviate Attorney Workload



Initiative Overview & Potential Impact to City

- The Legal Department should explore opportunities to alleviate workload and optimize staffing levels through seeking improved technology solutions. Currently, technology use is limited to case load tracking. Investing in technologies will allow the Legal Department to improve the quality of operations by automating tasks and balancing workload. Such will enable optimal staffing and provide long-term revenue generating and cost savings opportunities.

Best Practice and/or Benchmark

- Cities such as the City of Baton Rouge, have utilized third-party solutions for workers compensation claims and case management services. The City of Denver and City of Minneapolis have also utilized solutions for litigation support services.

Summary of Current State Analysis

- Several City Departments reported issues of receiving assistance from the Department. Improvements are needed to improve business processes and utilize available technologies in order to provide timely and effective service to the Legal Department's clients.
- Research found the Legal Department monitors and manages the services provided by outside counsel. With no performance metrics found for this service, it is recommended the Legal Department begin tracking performance, and assessing additional ways in which outside counsel can alleviate workload.
- In comparison to similarly sized cities, the Legal Department has differences in the size, structure and compensation of staff. For example, the City of Birmingham's Legal Department has 28 attorneys alone on staff. Comparatively, the City of Pittsburgh's (population of ~300,000) entire Legal Department has 29.5 total staff members. Also, The City of Nashville has a population more than 3x that of Birmingham (~700,000), and has nearly the same number of attorneys on staff (29) as the City of Birmingham.

Key Initiatives from Assessment Results – Optimization & Reorganization (Initiatives 20-33)

20. Optimize Headcount	21. Consolidate Code Enforcement Functions	22. Redefine City Organizational Structure	23. Promote Curbside Recycling and Optimize Collection
24. Optimize and Outsource / Privatize Garbage Collection	25. Reduce Overtime Spending and Right Size Departments	26. Outsource / Privatize Landfill Operations	27. Optimize Fleet Management
28. Implement Service Fees & Garbage Collection Fees	29. Move 311 to a Resident Facing Department	30. Optimize Revenue Potential for the Police Academy	31. Incubate Social Service Programs and Launch New Partnerships
	32. Leverage & Optimize Potential Shared Services Model Outside of City	33. Outsource Print Shop Services & Promote More Electronic Communications	

Initiative #20: Optimize Headcount



Initiative Overview & Potential Impact to City

- Conduct a comprehensive, strategic staffing assessment to identify optimal structure to enhance departmental performance and increase overall customer service.
- Reduce number of overall managers and consolidate administrative positions.
- Conduct this assessment before the next budget cycle, so the next budget will align with a new, optimized staffing approach.
- Determine plan to implement an optimal staffing model, taking into consideration employee retirement dates, etc.
- Implement revised staffing model during the next budget year.
- Review staffing needs on a bi-annual basis to regularly optimize headcount in order to align with departmental objectives.

Summary of Current State Analysis

- Duplicative administrative positions exist throughout the departments and many managers/supervisors oversee only 1-3 direct reports based on organizational charts.
- Some departments also have an abundance of the same positions across sub-divisions indicating potential overlap in duties.
- Finance Department budgets currently at 2.8% of total revenue, placing them in category as a bottom performer according to research (*Source: APQC's Government & Military Industry Benchmarks*).
- As stated previously, HR best practice guidelines demonstrates there is a budgetary underspend of between \$890k and \$1.4M in HR in order to effectively support a headcount of 4,729 FTE. The analysis implies that there may be both insufficient revenue to support the FTE population and/or too many FTE for City operations to operate efficiently.

Initiative #20: Optimize Headcount (*continued*)



Best Practice and/or Benchmark

- According to APQC's *Government & Military Industry Benchmarks*, some department-specific best practice includes the following:
 - Top performing Finance functions be no more than 1-1.5% of revenue.
 - Total cost benchmark to perform the Human Resources function is estimated at \$1,242 per FTE or \$3.28 per \$1,000 of revenue.

Initiative #21: Consolidate Code Enforcement Functions



Initiative Overview & Potential Impact to City

- Consolidate or realign City code enforcement functions to ensure efficient operations; and consider housing functions within one department
- Benefits include a reduction in the duplication of services and a potential reduction in costs.
- Opportunities exist to streamline and share data across functions to optimize the performance of field staff.
- Increase use of data analytics in coordination with Open Data portal to equip staff with real time information that can feed smarter solutions.

Summary of Current State Analysis

- Code enforcement positions exist within Community Development, Public Works and Planning, Engineering & Permits departments; with additional enforcement staff for tax licensing and parking within Finance.
- As all enforcement functions monitor compliance and issue fees on behalf of the city; there's significant opportunity for overlap in duties and little evidence that Departments coordinate efforts.

Best Practice and/or Benchmark

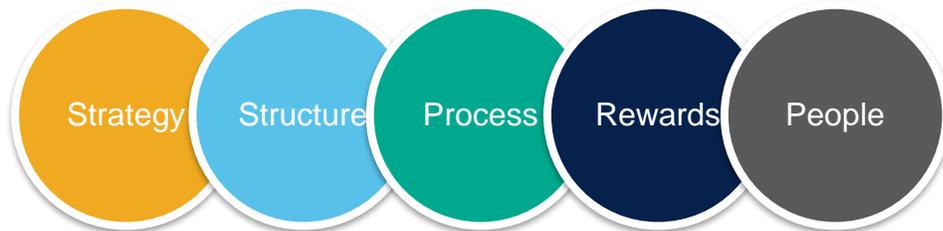
- Several cities, such as Baltimore, Nashville, Pittsburgh and Tuscaloosa, house all code enforcement operations (commercial and residential) within a single department. Best practices also suggest code enforcement offices establish strategic visions to develop enforcement practices, outreach efforts and technology implementations to improve operations.

Initiative #22: Redefine City Organizational Structure



Initiative Overview & Potential Impact to City

- Reorganize City structure to focus on core functions and services to increase efficiencies and reduce duplication of services.
- Alongside *Optimize Headcount* initiative, conduct a comprehensive, strategic staffing assessment.
- Assessment can be conducted swiftly and assist the City with identifying the optimal structure to enhance departmental performance, increase customer service, and ensure departments are aligned with City initiatives and objectives.



Summary of Current State Analysis

- City departments have most likely developed over time in order to provide a basic level of services, resulting in a decentralization of services and structure with overlapping duties among departments.

Best Practice and/or Benchmark

- Widely accepted framework to steer a robust process to find the right requirements, structure and roles.
- Move quickly but systematically to provide focus, direction, and reduce uncertainty
- Define “success”, internally and as viewed externally (customer)
- Select ‘right’ leaders to fit the desired structure, not the other way around
- Drive effectiveness and reinforce desired cultural behaviors through the change

Initiative #23: Promote Curbside Recycling and Optimize Collection



Initiative Overview & Potential Impact to City

- Increase participation in curbside recycling to optimize Public Works performance, reduce the demand for space in landfills, and produce a small increase in the revenues received from current recycling partnership.
- Consider providing recycling carts or bins free of charge to help incentivize ease of use.

Best Practice and/or Benchmark

- Of the cities who offer curbside service, 54% provided weekly service, while 46% provided bi-weekly service; with carts being the primary collection method. (*Source: EPA's 2016 State of Recycling White Paper*)
- Public vs. private collection is split, as many cities move to outsourcing to transfer the operational responsibilities of managing the service including costs of maintaining staff and fleet, safety management and workers compensation.

Summary of Current State Analysis

- Collection currently once per week, with voluntary and low participation. Crews will run the entire route seeking recycled goods creating inefficient use of staff time and fleet resources.
- Policies for standardized receptacles are limited; need for increase in public awareness of program.
- Costs associated to offering curbside service and minimal revenues received in return for transfer of goods limited effectiveness of program.

Initiative #24: Optimize and Outsource / Privatize Garbage Collection



Initiative Overview & Potential Impact to City

- Optimize collection by reducing frequency to once per week for regular service and bi-weekly or monthly for brush service; will reduce strain on fleet, conserve fuel, reduce costs and ensure efficient route management.
- Incentivize resident participation by providing the 1st 90+ gallon bin free of charge; standardizing receptacles demonstrates the City's commitment to clean streets and neighborhoods.
- Actively seek proposals from local area vendors to determine if outsourcing collection may be more cost beneficial.

Best Practice and/or Benchmark

- Approximately 78% of municipalities are moving towards this option to transfer burden of managing operations and to achieve cost savings (*Source: In The Public Interest White Paper*).
- Privatizing collection can generate a 20-40% budgetary cost savings (*Source: National Solid Waste Management Association*).

Summary of Current State Analysis

- City currently operates a twice per week schedule for regular collection and once per week for brush service; and policy limitations on the size of receptacles currently supports the need for twice weekly collection.
- Garbage trucks are run continuously throughout the week to keep up with the collection schedule; with costs to sustain the aging fleet steadily on the rise.
- Crews are forced to run additional shifts (increase overtime costs) in order to provide service coverage when trucks are in for repair.
- Older trucks are not equipped with new technology to reduce the need for 3-4 staff operations; and the lack of standardized receptacles also limits the use of automated loading vehicles.
- Consider phasing in new collection services through pilots across the city to ease public perception of the change.

Initiative #25: Reduce Overtime Spending and Right Size Departments



Initiative Overview & Potential Impact to City

- Actively fill key vacancies and create fulltime positions where necessary to offset increase in overtime spending; this may require redirecting budgeted funds within or across departments.
- Develop protocols for tracking and reporting overtime use on a regular basis; will allow management to any areas of inefficiency or of potential misuse within departments.

Best Practice and/or Benchmark

- According to *Workforce Magazine*, a key to overtime management is through matching staffing levels to work demand. Examining how other organizations deploy and schedule their workforces can reduce overtime and improve efficiency, productivity and safety of employees.

Summary of Current State Analysis

- City spent nearly \$21M in overtime for FY 2017, representing 5% of the overall personnel budget and an increase \$15M or 255% over budget.
- Paying overtime for the purpose of covering vacancies costs more than filling the positions; Public works has a 14% vacancy rate and \$1.6M underspend for personnel in FY 2017, yet spent an extra \$3.2M in overtime as a result.
- Police department is relying more on its Sergeants to cover Officer-level duties, placing additional strain on workforce to ensure effective coverage.
- No direct evidence of misuse of overtime was identified through the analysis.

Initiative #26: Outsource / Privatize Landfill Operations



Initiative Overview & Potential Impact to City

- Conduct a feasibility study to determine if outsourcing or privatizing the City-owned landfills will be a more cost effective and sustainable solution.

Best Practice and/or Benchmark

- Studies have shown that government operated waste management services experience a greater work safety incidence than in the private sector, driving up health care and workers compensation costs as a result.
- Private companies have greater access to capital to improve equipment and invest in new technology, allowing them to meet new demands swiftly.
- Growing trend in partnering with industry experts to promote innovative solutions to waste management to reduce burden on government agencies and support sustainability initiatives.

Summary of Current State Analysis

- City owned and operated properties generate substantial operating (minimum \$3M per year) and capital costs; and carries significant environmental risks.
- City is already spending \$450k on plans for landfill expansion, with an estimated \$7M capital needed to construct.
- Landfill capacity is expected to only last 4-6 years, and will be an on-going concern for the City for the foreseeable future.
- No current plans for how to address long term goal for waste management; i.e. City needs to shift towards reimagining how to tackle its garbage in coordination with neighborhood revitalization.

Initiative #27: Optimize Fleet Management



Initiative Overview & Potential Impact to City

- Optimize Fleet Management by implementing a Fleet Management Plan with rotations to replace aging vehicles, planned preventative maintenance, and analysis that supports when to retire a vehicle and purchase a replacement.
- Consider leasing vehicles to allow for the immediate replacement of City vehicles 10+ years and older and allow for fixed cost budgeting.

Best Practice and/or Benchmark

- Governments are increasingly using the private sector for fleet management to avoid the substantial and upfront cost of purchasing new vehicles, to transfer the operational management of administering an aging fleet, and to reap the cost saving benefits of operating newer vehicles.
- Various municipalities have realized a 40% improvement in fuel economy and lower maintenance costs of up to two thirds by replacing vehicles that are 10+ years old.

Summary of Current State Analysis

- City currently operates nearly 900 vehicles that are 10+ years old with no capital plans to regenerate its fleet.
- The Equipment Management Services Department that maintains the City's fleet on behalf of all Departments, spent \$3.7M+ during FY 2017 in parts alone.
- EMS spent \$80k in overtime in FY 2017, a \$57k increase from the previous year, mostly due to the increased maintenance required on older equipment.
- Departments rely on a dependable fleet to provide services safely and effectively; and are forced to run vehicles continuously 24/7 to meet service demand. These practices are inefficient, unsustainable, and leave staff with limited options for potential process improvements.

Initiative #28: Implement Service Fees & Garbage Collection Fees



Initiative Overview & Potential Impact to City

- Potential revenue between \$6-36M annually depending on fee structure and number of households (see *table below*).
- Implement a garbage collection fee for residential service to be administered through existing billing mechanism such as property tax.
- Additionally, implement a service fee for any maintenance services provided on private property.

Best Practice and/or Benchmark

- Some cities have implemented fee increases while decreasing other taxes or fees simultaneously to help reduce public perception.
- Fees range, but a typical monthly fee is between \$9-30 per household.
- Majority of cities provide the first bin free of charge, while charging for additional receptacles; and also set aside funding to address any hardship issues faced by the lowest income communities.

Summary of Current State Analysis

- City does not currently charge residents for garbage collection; therefore funds are not generated to offset the operational or capital costs associated with providing this service.
- Based on analysis of 25 other US cities, Birmingham is the only one that continues to provide this service free of charge.
- There's opportunity to incentivize and increase participation in the recycling program by offering the standard bins and a reduced rate for collection fees.
- City currently provides some maintenance services through its Public Works crews on private property without assessing a fee (e.g. ditch maintenance).

Cost/ Month	Households	Cost/Year	Gross Revenue
\$ 10.00	50,000	\$ 120.00	\$ 6,000,000
\$ 20.00	50,000	\$ 240.00	\$ 12,000,000
\$ 30.00	50,000	\$ 360.00	\$ 18,000,000
\$ 10.00	80,000	\$ 120.00	\$ 9,600,000
\$ 20.00	80,000	\$ 240.00	\$ 19,200,000
\$ 30.00	80,000	\$ 360.00	\$ 28,800,000
\$ 10.00	100,000	\$ 120.00	\$ 12,000,000
\$ 20.00	100,000	\$ 240.00	\$ 24,000,000
\$ 30.00	100,000	\$ 360.00	\$ 36,000,000

Initiative #29: Move 311 to Resident Facing Department

Police

Public Works

Community
Development

Finance

Information
Management
Services

Human
Resources

Law

Municipal Court

Planning,
Engineering &
Permits

Initiative Overview & Potential Impact to City

- Move 311 services from IT to a resident-facing department to provide greater access to a key service. Streamline call workflow / routing (e.g. queue management system) and develop a mobile application to achieve greater customer service and accessibility.

Best Practice and/or Benchmark

- Research conducted on City sponsored 311 applications found that all cities had mobile applications, and have launched several marketing programs to ensure availability of the citizen service program is well advertised. Benefits of 311 mobile applications are found to promote accessibility, and improve data capturing which has allowed cities to allocate resources to targeted areas, and use data in economic development programs.

Summary of Current State Analysis

- 311 is currently under IMS which is a back-office / supporting function. Call routing and workflow concerns exist that impact customer service; as nearly 50% of requests remained unresolved in 2017.

Initiative #30: Optimize Revenue Potential for the Police Academy



Initiative Overview & Potential Impact to City

- The City is in a unique position of operating one of only 10 Police Academies in the State of Alabama. A revenue opportunity may exist by opening up the Academy to training officers from other Police Departments for a fee.
- If the Academy trained up to 90 recruits for other agencies each year, it could utilize the tuition fees as an additional revenue source to the City.
- Potential additional revenue - \$100k+ annually based on charging the same rate as State.

Best Practice and/or Benchmark

- The average national cost for a new recruit to attend a police academy is \$5k. The cost varies from \$3.5 - \$6.5k and is dependent on the jurisdiction, course of instruction and other factors.
- The Alabama Criminal Justice Training Center located in Selma, AL charges \$1.1k per recruit to attend their Police Academy.

Summary of Current State Analysis

- Annual spend of \$2.6M to run five classes for police, fire and corrections staff members.
- A 2018 objective of the Police Academy is to graduate three separate police academy sessions with a class capacity of 60 recruits and an overall facility capacity of 140.
- The Academy is used as an intensive training program for law enforcement continued training, correctional staff and new recruits. Feedback from interviews supported that the City's Academy is well run and respected.
- Graduation certificates from the academy include both the Birmingham Policy Academy and the Alabama Peace Officer & Standard Training Commission (APOSTC) and are transferable to other agencies outside of Birmingham.

Initiative #31: Incubate Social Service Programs and Launch New Partnerships



Initiative Overview & Potential Impact to City

- Transfer social service related programs from Municipal Court to Community Development and incubate the programs in-house while seeking a new, permanent solution with a local non-profit or other social service agency.
- Establish program performance metrics to promote transparency for groundbreaking programs intended to enhance services for at-risk residents who frequently appear in Court.

Summary of Current State Analysis

- The Municipal Court began programs (e.g. drivers education, GED) to help address issues facing its participants; the programs are progressive and appear to be producing successful outcomes, but are not actively tracked at present.
- Programs are not aligned with the core services of the Court and will be better suited within another public-facing department such as Community Development.

Best Practice and/or Benchmark

- Partnering with non-profit organizations is a recommended best practice for problem-solving courts in order to ensure financial sustainability, and generate community support for programs. States such as California, Colorado, Idaho and Michigan have conducted studies finding partnerships with nonprofits, and other community actors to be successful initiatives.

Initiative #32: Leverage & Optimize Potential Shared Services Model Outside of City



Initiative Overview & Potential Impact to City

- Create a Shared Services Task Force to assess the potential opportunities to work with other City/County governments to optimize resources.

Best Practice and/or Benchmark

- Analysis shows that up to 50% of County officials are participating in or delivering shared services with other governments. Examples include equipment & supplies, health care benefits, IT, fleet, animal control, etc. Leverages each government body's expertise. *(Source: Governing)*

Summary of Current State Analysis

- The City does operate certain internally-shared services such as IT and HR; but does not currently utilize an externally-shared services model with any other government agencies.

Initiative #33: Outsource Print Shop Service & Promote More Electronic Communications



Initiative Overview & Potential Impact to City

- Develop a City-wide plan to promote the use of web-based and mobile-friendly communications to reduce dependence on paper-based information.
- Outsourcing printing services to a local vendor allows City to tap in to newer technology without having to make a capital investment.
- City can redirect net savings to support technology initiatives.

Best Practice and/or Benchmark

- Operating an in-house print shop is costly due to the need to source and maintain equipment and supplies in-house.
- Outsourcing can potentially generate budgetary cost savings up to 30% (*Source: Governing*).

Summary of Current State Analysis

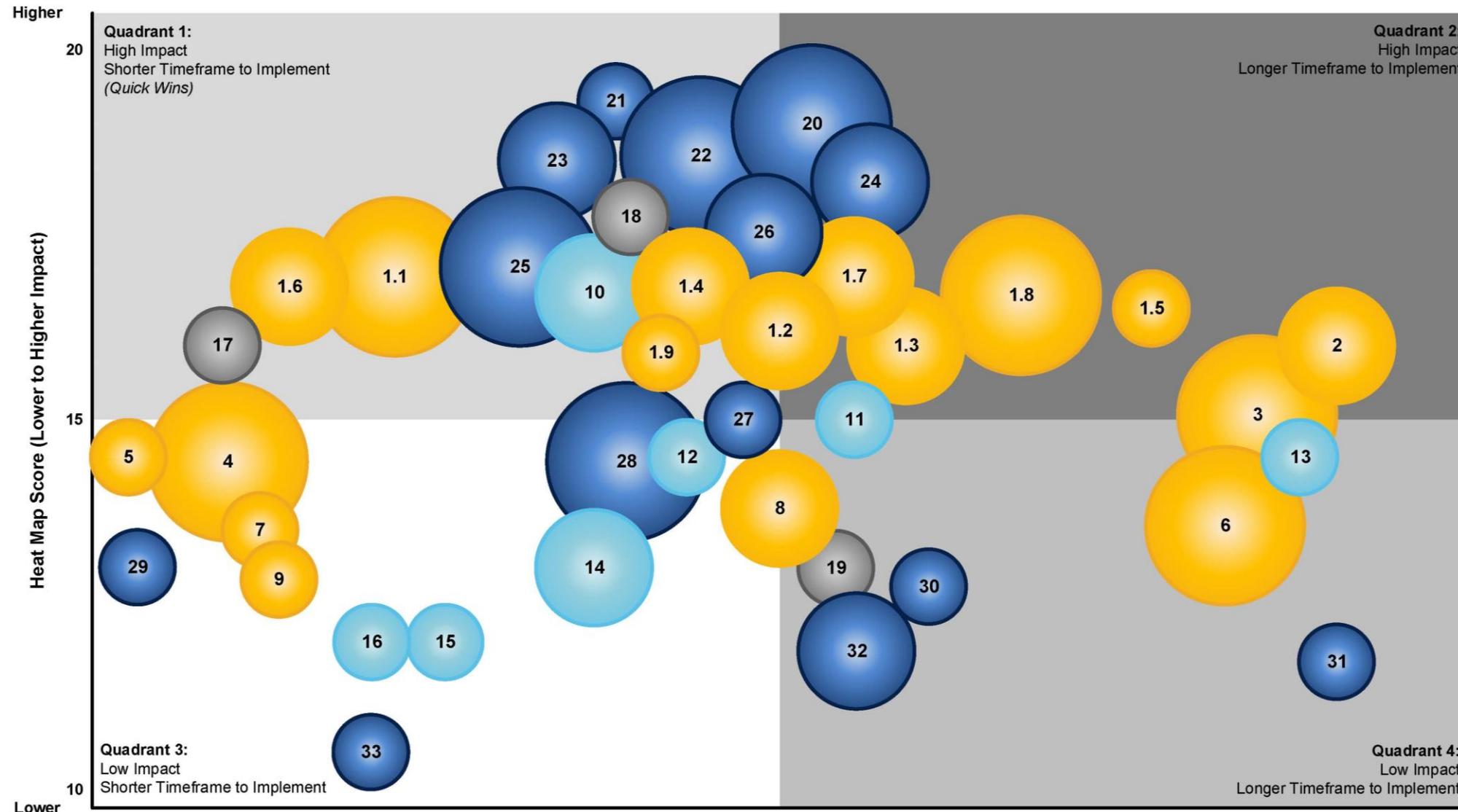
- Annual costs include an estimated \$450k for 6 FTE and \$200k in non-personnel expenses.
- Division operates under the Finance department and is not aligned with core-financial services.



III. Timeline & Prioritization

City of Birmingham Performance Assessment: Bubble Chart & Prioritization Timeline

Comparing Initiatives by Impact (Vertical Axis), Timeline to Implement (Horizontal Axis), and Cost Implications Magnitude (Bubble Size)



#	Initiative
1.1	Addressable Spend - Insurance
1.2	Addressable Spend - Construction Cost
1.3	Addressable Spend - Repairs & Maintenance
1.4	Addressable Spend - Professional Fees
1.5	Addressable Spend - Utilities
1.6	Addressable Spend - IT & Telecom
1.7	Addressable Spend - Supplies
1.8	Addressable Spend - Jail Operations
1.9	Addressable Spend - Rental Expenses
2	Address the Structural Deficit in the General Fund
3	Implement Plan to Adequately Fund Pension and OPEB Plans
4	Implement a Financial Oversight Program
5	Implement Cash Forecasting
6	Fund Capital Improvement Plan
7	Implement Internal Controls Policy
8	Explore Naming Rights for Legions Field and the Birmingham-Jefferson Convention Complex
9	Perform Annual Bank Account Analysis
10	Reorganize, Right-size and Optimize HR Functions in the City
11	Redesign Hiring Process through a Renewed Partnership with Personnel Board
12	Develop Employee Performance Management System
13	Implement Succession Planning City-wide
14	Develop Plan to Transition Fitness Centers to an Employee Wellness Initiative
15	Grow Student Intern Services
16	Optimize Staff Workspace
17	Create a New IT Strategic Plan and Roadmap
18	Implement IT Chargeback
19	Implement Technology Solutions to Alleviate Attorney Workload
20	Optimize Headcount
21	Consolidate Code Enforcement Functions
22	Redefine City Organizational Structure
23	Promote Curbside Recycling and Optimize Collection
24	Optimize and Outsource / Privatize Garbage Collection
25	Reduce Overtime Spending and Right Size Departments
26	Outsource / Privatize Landfill Operations
27	Optimize Fleet Management
28	Implement Service Fees & Garbage Collection Fees
29	Move 311 to a Resident Facing Department
30	Optimize Revenue Potential for the Police Academy
31	Incubate Social Service Programs and Launch New Partnerships
32	Leverage & Optimize Potential Shared Services Model Outside of City
33	Outsource Print Shop Services & Promote More Electronic Communications

Bubble Size Key (Estimated Cost Implication)

- Large < \$2.5M
- Medium \$1-2.5M
- Small > \$1M

Estimated Implementation Time

- 6 months
- 1 year
- 2 years
- 3+ years

Bubble Color Key

- Yellow: Finance
- Light Blue: Human Resources
- Grey: Information Technology
- Dark Blue: Optimization & Reorganization



IV. Additional Scope Tasks: Fire Department (Birmingham Fire & Rescue Services)

Fire and Rescue Services: Revenue Assessment

Recommendations & Potential Impact to City

- Optimize Revenues for BFRS by increasing inspection fees and establishing a false alarm fee.
- Increase revenue and cover costs of Fire response by implementing a false alarm charge-back. Can consider 1 'free' one, and then a graduated fee structure based on occurrence.

Best Practice and/or Benchmark

- The National Fire Prevention Association estimates that 36% of all fire alarms in the United States are false. Many cities have implemented false alarm fees to increase safety and to generate revenue to cover the cost of false alarm responses.

Summary of Current State Analysis

- Many non-emergency calls (311 calls) are made to the 911 dispatch, which expends City resources and impacts call volume and response
- Overall, the E911 center processed over 15k false alarms in 2016.
- The Birmingham Police Department currently charges for reinstatement of alarm systems and collected \$2.2M in false alarm fees in 2017. These alarm systems are disconnected from the communications center dispatch system after the fourth false alarm.
- BFRS generates revenue by charging for permit and inspection fees.
 - The fees for inspection have not been raised since 2015.
 - The Department currently does not charge fees for repeat false alarms.

Fire and Rescue Services: Internal Controls Assessment

Recommendations & Potential Impact to City

- The BFRS operational internal controls were reviewed by the team. The team reviewed and analyzed the BFRS Fire and Rescue Schedule II Controlled Substance Accountability and Security, Alabama EMS Patient Care Protocols, and Code of Conduct.
- It was determined that the department is following the appropriate guidelines and all proper controls are in place.

Summary of Current State Analysis

- It was determined that BFRS does not handle cash for payment of service, therefore no financial internal controls specific to the department were reviewed.
- BFRS generates revenue from two (2) sources: EMS transports and charges for services such as inspections.
 - EMS-MC is contracted to bill for all EMS transports. See EMS Billing Assessment Checklist for further information.
 - In accordance with Article VII of the Technical Code of the City of Birmingham 2015, BFRS charges fees for inspection. All payments for inspections are received by the Central Cashier in the Finance Department. The Finance Department issues a receipt, and upon presentation of the receipt the BFRS Department Fire Prevention Staff, the permit is then issued.

Fire and Rescue Services: Internal Controls Assessment (*continued*)

Recommendations & Potential Impact to City

- Gain efficiency and increase effectiveness by making the Communications Manager position permanent and report directly to the E911 Center Director.
- Implement a community outreach public education campaign to communicate how to make non-emergency city service requests without calling 911, thus reducing E911 call volume for non-emergencies.

Summary of Current State Analysis

- E911 Center under the leadership of a Center Director who reports to both the Fire and Police Departments, along with the State.
- The center's Communications Manager position is not permanent and rotates every 6 months between police and fire officers in order for them to gain experience. This position reports to either the Police or Fire Chief depending on the candidate.
- Although rotation experience is well intended, the impact of the current system prohibits the center from maintaining a dedicated manager to ensure staff are properly trained and that operations are efficient and effective.
- A previous 2014 report claimed that the center was overstaffed by 18 employees; but analysis has shown an increase in call volume from 300k to 500k per year, therefore staffing levels have been maintained as a result.

Fire and Rescue Services: EMS Billing Assessment

Recommendations & Potential Impact to City

- Determine if adequate controls and appropriate criteria are in place to govern write-offs, including review by City financial staff. Consider hiring a third party collection agency to attempt to recover funds after three invoices to a patient.
- Further discuss process and data quality with contractor to determine the following:
 - Sufficient processes are in place to collect pertinent patient data at time of transport.
 - If field-level EMTs should be trained on data collection processes and rationale.
 - If additional/different data sources could optimize billings to Medicaid/Medicare/other insurers to determine if payer mix accurately reflects the population, if data source/quality issues exist, or if City should consider Medicaid enrollment initiatives.
- City should regularly review and reconcile vendor reports for accuracy.
- Consider reviewing a sample of billings with the vendor to verify that attempts were made to bill multiple payers, in the event of multiple coverages; and a sample of invoices to determine whether the City is billing the maximum amount allowable.

Summary of Current State Analysis

- EMS is recovering approximately 42% of net charges, with over 48% of charges being written off between August 2016 and July 2017.
- AR is driven by collections due directly from patients, which typically have a lower recovery rate (average 1.4% in the 12 months ended January 2018 based on service date).
- The payer mix appears to have lower percentages of Medicaid participants than expected given Birmingham's poverty rate.
- A minor variance (.35% or less per month) was identified on summary AR reports provided by vendor EMS-MC.
- Reasonable fluctuations in the number of EMS transports per month and per trip gross charges were consistent across the time period reviewed.



V. Appendix

Key Stakeholder Interviews

Crowe conducted interviews with key department leaders across the 9 departments. Below is a list of interviews conducted for the performance assessment:

Department / Organization	Name	Title
Finance	Tom Barnett	Director
Finance	Barbara McGrue	Deputy Director
Finance	Aaron Saxton	Deputy Director
Information Management Services	Srikanth Karra	CIO
Information Management Services	Nelvin Short	Deputy Director
Information Management Services	Stephen Quarles	Deputy Director
Information Management Services	Annette Harris	Deputy Director
Information Management Services	Darryl Burroughs	Deputy Director
Police	A.C. Roper	Chief
Police	Orlando Wilson	Chief
Police	Vita Smith	Budget
Public Works	Alfred Meinfield	Director
Public Works	Alistar Hickman	Deputy Director
Public Works	Herman Wilhite	Deputy Director
Community Development	Nigel Roberts	Chief
Human Resources	Barry Lollar	Director

Department / Organization	Name	Title
Law	Nicole King	Director
Law	Vanessa Wilson	Administrative Coordinator
Law	Bridgette Brown	Paralegal
Municipal Court	Andra Sparks	Presiding Judge
Planning, Engineering & Permits	Andre Bittas	Director
Internal Audit	Mitch Tarver	Lead Auditor
Internal Audit	Terry Drake	Lead Auditor
Equipment Management Services	Cedric Roberts	Director
Fire & Rescue Services	Charles Gordon	Chief
E911 Center	Gregory Silas	Director
EMS – MC	Heidi Olds	Representative
Ingenuity	Rick Hayes	Representative
Complete Benefit Solutions	Mark Johnson	Representative
Personnel Board Jefferson County	Lorren Oliver	Representative
Personnel Board Jefferson County	Jeffery Crenshaw	Representative

Documentation Review

- 2018 City of Birmingham Operating Budget
- 2017 City of Birmingham CAFR
- 2017 Trial Balance
- 2018 Capital Budget Request Form
- Transition Readiness Questionnaires
- City of Birmingham Personnel Roster
- Technical Code of the City of Birmingham
- BFRS Fire and Rescue Schedule II Controlled Substance Accountability and Security
- Alabama EMS Patient Care Protocols
- BFRS Code of Conduct
- Alabama EMS Patient Care Protocols
- EMS Billing Services Agreement
- EMS Vendor AR Reports
- City Resolution - EMS MC Contract
- General Code of the City of Birmingham
- City of Birmingham 311 Cases – Yearly
- Department of Planning, Engineering & Permits Services, Programs, Project and Initiatives
- Human Resources Organizational Performance Measures FY16-FY18
- Personnel Board Jefferson County Rules & Regulations
- Personnel Board Jefferson County Enabling Act
- Personnel Board Jefferson County 2016 Annual Report
- Association for Talent Development (n.d.). *HR Outsourcing Can Boost Savings and Service.*
- Automatic Data Processing (ADP) (n.d.). *Outsourcing and the Future of HR.*
- Society for Human Resource Management (2015). *Outsourcing the HR Function.*
- Gartner (2013). *Maui County IT Assessment: Recommendation Detailed Descriptions.*
- Workforce Magazine (2010). *10 Keys to a Sensible Overtime Policy.*
- Committee of Sponsoring Organization of the Treadway Commission (2013). *Internal Controls – Integrated Framework.*
- U.S. Government Accountability Office (n.d.). *Standards for Internal Control in the Federal Government (“The Green Book”).*
- Society for Human Resource Management (n.d.). *Developing Leadership Talent: A Guide to Succession Planning and Leadership Development.*
- Center for American Progress (2012). *There are Significant Business Costs to Replacing Employees.*
- Society for Human Resources Management (2003). *Knowledge Management*
- In the Public Interest (n.d.). *Best Practices in Municipal Waste Contracting.*
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